

**RAILROAD COMMISSION OF TEXAS
FORMAL COMMISSION ACTION
NOVEMBER 4, 2004**

Pursuant to lawful notice, the Commission held an open meeting at 1701 N. Congress Avenue, in Room 12-170, Austin, Texas, on the 4th day of November 2004, commencing at 9:30 a.m. Chairman Victor G. Carrillo and Commissioners Charles R. Matthews and Michael L. Williams were present. Chairman Carrillo presided.

- I. The Commission began consideration of matters falling within the Railroad Commission's Gas Services regulatory jurisdiction.
 - A. In consideration of Gas Utilities Docket No. 9533, the Statement of Intent filed by Centerpoint Energy Entex, a Division of Centerpoint Energy Resources Corp., to change rates in the unincorporated areas of the South Texas Division, the Commission ordered that the rates be suspended for a period of one hundred and fifty (150) days from the date the rates would otherwise go into effect. Suspension was recommended by Examiner John Chakales.
 - B. In consideration of Gas Utilities Docket No. 9534, the Statement of Intent filed by Centerpoint Energy Entex, a Division of Centerpoint Energy Resources Corp., to change rates in the unincorporated areas of the Beaumont/East Texas Division, the Commission ordered that the rates be suspended for a period of one hundred and fifty (150) days from the date the rates would otherwise go into effect. Suspension was recommended by Examiner John Chakales.
 - C. In consideration of Gas Utilities Docket No. 9532, the application of Sid Richardson Gas Pipeline, Ltd., to establish a city gate rate for the City of Grandfalls, Texas, the Commission ordered that the rate be suspended for a period of one hundred and fifty (150) days from the date the rate would otherwise go into effect. Suspension was recommended by Examiner John Chakales.
 - D. In consideration of Gas Utilities Docket No. 9539, the Statement of Intent filed by Atmos Energy Corporation to change gas rates in the environs of Amarillo, Texas, the Commission suspended the proposed rates for a period of one hundred fifty (150) days from the date the rates would otherwise go into effect. Suspension was recommended by Examiner Gene Montes.

- II. The Commission began consideration of matters falling within the Railroad Commission's Oil and Gas regulatory jurisdiction.
- A. The Commission took the following action on applications appearing on the protested docket of the Oil and Gas Division:
1. The Commission considered Docket No. 09-0239466, the application of Key Energy Services, Inc.-NTD, to dispose of oil and gas waste by injection into a porous formation not productive of oil or gas, Jeff Moser Lease, Well Nos. 1 and 2, Chico, West (Conglomerate 5700)(17634462) Field, Wise County, Texas. Examiner Donna Chandler presented her recommendation to approve the proposal to deepen the Moser No. 1 Well and to test and use the Ellenberger as a disposal interval in that well. Examiner Chandler also recommended the surface injection pressure on the No. 2 well be limited to 650 psi. The Commission heard comments from Mr. John Soule, representing Key Energy Services. On motion of Commissioner Williams, the Commission voted to defer further consideration of this matter to the next conference on November 23, 2004.
 2. The Commission considered Docket No. 02-0239731, the application of W. C. Miller Operating Company to dispose of oil and gas waste by injection into a porous formation not productive of oil or gas, Fowler, W.B. Lease, Well No. 6, Sandy Creek (80645001) Field, Jackson County, Texas. On motion of Commissioner Matthews, the Commission voted (3-0) to grant the application as recommended by Examiner Donna Chandler. On motion of Commissioner Williams, the Commission directed the staff to follow up on Commissioner Matthews' concerns and report back to the Commission with recommendations on how to improve regulatory standards relating to disposal wells.
 3. The Commission considered Docket No. 06-0235018, the motion for rehearing filed in the application of Stonewall Production Company, Inc. for an exception to Statewide Rule 38(d)(3) for the Barbee Paluxy Unit, Chapel Hill (17008001) Field, Smith County, Texas. Director Colin Lineberry recommended the Commission deny the motion for rehearing. The Commission heard comments from Mr. Kenneth Walker, representing the protestants. On motion of Chairman Carrillo, he and Commissioner Williams voted to deny the motion for rehearing. Commissioner Matthews voted no.
 4. In consideration of Docket No. 03-0237813, the Commission denied the motion for rehearing filed in the enforcement case regarding Rio Energy, Hermann Fee (02350) Lease, Various Wells, Humble (4346001) Field, Harris County, Texas, for violation of Rules 14(b)(2); 13(b)(1)(B) and 3(a)(2). Denial of the motion for rehearing was recommended by Examiner James Doherty.

- B. The Commission took action on applications appearing on the Oil and Gas Unprotested Consent Agenda, Agreed Enforcement Orders, and Master Default Orders.
 - C. Rules Notebook: Deputy General Counsel Polly McDonald
 - 1. The Commission adopted all rules in 16 Tex. Admin. Code Chapter 3, Oil and Gas Division, pursuant to Tex. Gov't Code, §2001.039 (O&G Docket No. 20-0239479), and non-substantive amendments to correct typographical errors; citations to Commission rules; and the names of Commission divisions, sections, or groups and other state agencies in the following rules: §3.6, Application for Multiple Completion; §3.9, Disposal Wells; §3.26, Separating Devices, Tanks, and Surface Commingling of Oil; §3.28, Potential and Deliverability of Gas Wells To Be Ascertained and Reported; §3.34, Gas To Be Produced and Purchased Ratably; §3.36, Oil, Gas, or Geothermal Resource Operation in Hydrogen Sulfide Areas; §3.46, Fluid Injection into Productive Reservoirs; §3.49, Gas-Oil Ratio; §3.52, Oil Well Allowable Production; §3.55, Reports on Gas Wells Commingling Liquid Hydrocarbons before Metering; §3.56, Scrubber Oil and Skim Hydrocarbons; §3.81, Brine Mining Injection Wells; §3.84, Gas Shortage Emergency Response; §3.93, Water Quality Certification Definitions; §3.95, Underground Storage of Liquid or Liquefied Hydrocarbons in Salt Formations; §3.97, Underground Storage of Gas in Salt Formations; §3.98, Standards for Management of Hazardous Oil and Gas Waste; §3.106, Sour Gas Pipeline Facility Construction Permit; §4.605, Identification of Equipment Contaminated with NORM; and §4.632, Penalties and Certificate of Compliance (O&G Docket No. 20-0239480).
 - 2. The Commission adopted the repeal of Pipeline Safety Rules in Texas Administrative Code, Title 16, Chapter 7 and New Rules and Amendments of Existing Rules in Texas Administrative Code, Title 16, Chapter 8, to Update and Reorganize the Pipeline Safety Rules and Include Penalty Guidelines as Required by Senate Bill 310 (77th Legislature).
- III. The Commission began consideration of matters authorized by law including the administration, budget, procedures and personnel of the following divisions as presented by the division director or other authorized personnel.
- A. Administration: Acting Director Kelly Stuckey
 - 1. The Commission approved the FY 04 Annual Financial Report for transmittal to the Governor's Office, the Comptroller, the State Auditor, the Legislative Budget Board, Legislative Reference Library and the Texas State Library.

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2. The Commission executed the Interagency Agreement with the State Office of Risk Management for workers' compensation coverage and risk management services, in compliance with Texas Labor Code, Chapter 412 and Chapter 501.

B. Oil and Gas: Director Rich Varela

1. The Commission approved the award of a plugging contract, requisition number 455-5-0418, to USA Plugging for \$168,621 for 52 wells on 13 leases located in Bastrop, Williamson and Travis Counties.
2. The Commission approved an extended service contract for plugging wells with state funds, requisition number 455-5-0460 for 12 wells located in LaSalle and Frio Counties for the estimated amount of \$135,300.
3. The Commission authorized soliciting bids and awarding an extended service contract for requisition number 455-5-0483, which includes 15 wells in Cooke County, for an estimated value of \$148,300.
4. The Commission approved a work plan for remediation of oil storage pits in the Humble Field, Harris County, Texas; Chevron Texaco Corporation; Oil and Gas Docket No. 3-97,740.

C. General Counsel Lindil Fowler

1. The Commission approved proposed criteria to be used in identifying unprotected cases that should be presented individually at conference.

- IV.** With no further business to come before the Commission at this time, the conference was adjourned at 11:10 a.m.